

FISCAL NOTE

HB 3034 - SB 3034

March 8, 2006

SUMMARY OF BILL: Requires the Commissioner of Finance and Administration (F&A) to allocate state revenues, generated from 2% of the 7% state sales tax rate levied on all lodging services occurring within a jurisdiction where there is a qualified public use facility (QPUF) with a total cost exceeding \$100.0 million and such QPUF is constructed after the effective date of this act, to such jurisdiction to be earmarked for payment of up to 50% of the debt service incurred for the QPUF. Requires tax revenue be allotted as otherwise provided by law once 50% of the debt has been serviced.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – The fiscal impact of this bill is dependent on which local jurisdictions would undertake building a QPUF costing in excess of \$100.0 million. Five cities were considered as possibilities (Chattanooga, Knoxville, Memphis, Nashville, and Sevierville). Based on past sales tax collections generated from lodging accommodations within these five jurisdictions, the potential cumulative decrease to state revenues is estimated to be \$17,840,000 recurring. This amount, or portions thereof, would be allocated to local governments to be earmarked for 50% of the debt service incurred on any QPUF constructed. Of the total amount estimated, Chattanooga could receive approximately \$1,680,000; Knoxville, \$1,360,000; Memphis, \$4,470,000; Nashville, \$9,750,000; and Sevierville, \$580,000.

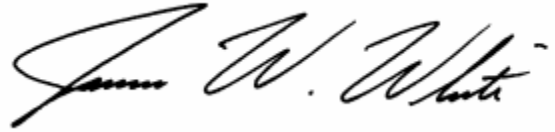
Assumptions:

- The fiscal impact of this bill is dependent upon which local jurisdictions would have the ability to build a QPUF costing over \$100.0 million.
- Five cities were considered as possibilities: Chattanooga, Knoxville, Memphis, Nashville, and Sevierville.
- According to the Department of Revenue (DOR), sales tax collections generated from Tennessee lodging establishments located in these five cities during FY04-05 were approximately \$70.37 million (Chattanooga, \$6.63 million; Knoxville, \$5.38 million; Memphis, \$17.63 million; Nashville, \$38.44 million; and Sevierville, \$2.29 million).

- U.S. Census estimates that 80.5% of lodging establishment revenue is generated from overnight accommodations exclusively.
- Sales tax collections from lodging accommodations are estimated at \$56.65 million ($\$70.37 \text{ million} \times 80.5\% = \56.65 million).
- Of the \$56.65 million generated from lodging accommodations, Chattanooga would have generated \$5.34 million; Knoxville, \$4.33 million; Memphis, \$14.19 million; Nashville, \$30.95 million; and Sevierville, \$1.84 million.
- Annual growth of sales tax revenue is estimated at 5% per year.
- The estimated tax revenue generated from lodging accommodations for FY06-07 is estimated to be \$62.46 million ($[\$56.65 \text{ million} \times 105\%] \times 105\% = \62.46 million).
- Of the \$62.46 million estimated to be generated from lodging accommodations, Chattanooga is estimated to generate \$5.89 million; Knoxville, \$4.77 million; Memphis, \$15.64 million; Nashville, \$34.13 million; and Sevierville, \$2.03 million.
- 2% of the 7% state sales tax rate is equivalent to a 28.57% share.
- 28.57% of the \$62.46 million (or \$17.84 million) could be earmarked for 50% of the debt service incurred on any QPUF constructed.
- Therefore, the recurring decrease to state revenues could be \$17,840,000, or portion(s) thereof, based on which jurisdiction(s) construct QPUFs.
- Based on the above data, Chattanooga could receive approximately \$1.68 million from the state; Knoxville, \$1.36 million; Memphis, \$4.47 million; Nashville, \$9.75 million; and Sevierville, \$580,000. Any of these recurring increases to local government revenues would be required to be earmarked for at least 50% of the debt service incurred on any QPUFs constructed.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized "J" and "W".

James W. White, Executive Director